MyndTec Inc.

Interim Condensed Consolidated Financial Statements (Unaudited)

As at March 31, 2022

Interim Condensed Consolidated Financial Statements

Auditor's Involvement

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3)(a), notice is hereby given that the accompanying statements of the Company for the three-month periods ended March 31, 2022 and March 31, 2021 have not been reviewed by the Company's auditors in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim consolidated financial statements by the Company's auditors.

MyndTec Inc.
Interim Consolidated Statements of Financial Position
As at March 31, 2022 (unaudited) and December 31, 2021

	March 31 2022	December 31 2021
Assets		
Current assets		
Cash and short term securities	**$ 1,497,182**	$ 377,065
Cash held in escrow (note 13)	**-**	2,359,442
Trade and other receivables (note 3 and 12)	**58,625**	305,638
Inventories (note 4)	**283,125**	300,732
Prepaid expenses and deposits	**125,781**	139,139
	1,964,713	3,482,016
Non-current assets		
Right-of-use asset (note 5)	**54,488**	60,326
Equipment (note 6)	**265,292**	281,795
Total assets	**$ 2,284,493**	$ 3,824,137
Liabilities		
Current liabilities		
Trade and other payables (note 12)	**$ 724,520**	$ 1,553,630
Subscription receipts (note 13)	**-**	2,359,442
Deferred revenue (note 7 and 12)	**21,250**	-
Current portion of long-term liabilities (note 8)	**232,728**	1,840,171
	978,498	5,753,243
Long-term liabilities, net of current portion		
Deferred payment agreement (note 19)	**304,000**	311,500
Deferred revenue (note 7 and 12)	**58,438**	85,000
Lease obligations (note 5)	**20,643**	25,841
Government loans (note 10)	**605,539**	594,939
Convertible debentures (note 11)	**-**	-
Derivative and warrant liabilities (note 11)	**-**	-
Deposits for future share financings (note 13)	**-**	594,860
Total liabilities	**1,967,118**	7,365,383
Shareholders' surplus (deficiency)		
Share capital (note 13)	**13,982,961**	11,013,889
Contributed surplus	**2,975,167**	1,268,088
Deficit	**(16,640,753)**	(15,823,223)
Total surplus (deficit)	**317,375**	(3,541,246)
Total liabilities and shareholders' surplus (deficiency)	**$ 2,284,493**	$ 3,824,137

Commitments and contingencies (note 19)

Subsequent events (note 23)

"Craig Leon" Director

"Carlo Pannella" Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

MyndTec Inc.
Interim Consolidated Statements of Loss and Comprehensive Loss
For the three-month periods ended March 31, 2022 and 2021 (unaudited)

	March 31 2022	March 31 2021
Revenue (note 12 and 22)	**$ 45,007**	$ 51,112
Cost of sales	**23,538**	24,251
Gross margin	**21,469**	26,861
Expenses		
General and administration (note 14)	**210,134**	199,527
Research and development (note 14)	**131,982**	225,997
Quality and regulatory assurance	**6,616**	957
Selling and marketing	**36,113**	20,849
Share-based compensation (note 13)	**39,151**	5,191
Interest and accretion expense (note 16)	**46,964**	76,201
Depreciation and amortization (note 5 and 6)	**22,341**	27,336
Clinical trial (note 18)	**(35,857)**	4,481
Changes in fair value (note 16)	**151,542**	(14,225)
Public listing costs (note 13)	**230,013**	-
Government grants and tax credits (note 17)	**-**	-
Total operating expenses	**838,999**	546,314
Net and comprehensive Loss	**$ (817,530)**	$ (519,453)
Loss per share - basic and diluted	**$ (0.04)**	$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	**19,363,843**	15,730,737

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

MyndTec Inc.
Interim Consolidated Statements of Changes in Shareholders' Surplus (Deficiency)
For the three-months periods ended March 31, 2022 and 2021 (unaudited)

	Share Capital (note 13)	Contributed Surplus (note 13)	Deficit	Contributed Surplus (Deficiency)
Balance, December 31, 2020	**$ 10,085,283**	**$ 862,873**	**$ (12,774,138)**	**$ (1,825,982)**
Net loss and comprehensive loss	-	-	$ (519,453)	(519,453)
Share-based compensation	-	$ 5,191	-	5,191
Balance, March 31, 2021	**10,085,283**	**868,064**	**(13,293,591)**	**(2,340,244)**
Net loss and comprehensive loss	-	-	(2,529,632)	(2,529,632)
Common share financing	928,606	271,794	-	1,200,400
Share-based compensation	-	128,230	-	128,230
Balance, December 31, 2021	**11,013,889**	**1,268,088**	**(15,823,223)**	**(3,541,246)**
Net loss and comprehensive loss	-	-	(817,530)	(817,530)
Private placement	1,891,640	1,062,662	-	2,954,302
Conversion of convertible debentures	1,142,553	641,849	-	1,784,402
Issuance expenses	(65,121)	(36,583)	-	(101,704)
Share-based compensation	-	39,151	-	39,151
Balance, March 31, 2022	**$ 13,982,961**	**$ 2,975,167**	**$ (16,640,753)**	**$ 317,375**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

MyndTec Inc.
Interim Consolidated Statements of Cash Flows
For the three-month periods ended December 31, 2022 and 2021 (unaudited)

	March 31 2022	March 31 2021
Cash flows from (to) operating activities		
Net loss and comprehensive loss	**$ (817,530)**	$ (519,453)
Items not affecting cash:		
Share-based compensation	**39,151**	5,191
Depreciation and amortization (note 5 and 6)	**22,341**	27,336
Interest accretion (note 16)	**49,823**	76,130
Changes in fair value (note 16)	**151,542**	(14,225)
Deferred revenue (note 7)	**(5,312)**	-
	(559,985)	(425,021)
Changes in non-cash working capital items		
Trade and other receivables	**247,013**	(20,220)
Inventories	**17,607**	(4,104)
Prepaid expenses and deposits	**(88,345)**	(54,088)
Trade and other payables	**(829,110)**	288,204
Net cash flows used in operating activities	**(1,212,820)**	(215,229)
Cash flows used in investing activities		
Purchase of equipment (note 6)	**-**	(14,003)
Net cash flows used in investing activities	**-**	(14,003)
Cash flows from (to) financing activities		
Lease payments (note 5)	**(6,505)**	(19,127)
Repayment of deferred payment agreement (note 9)	**(5,000)**	-
Repayment of government loans (note 10)	**(15,000)**	(49,405)
Proceeds of Private Placement (note 13)	**2,359,442**	254,768
Net cash flows from financing activities	**2,332,937**	186,236
Increase (decrease) in cash	**1,120,117**	(42,996)
Cash, beginning of period	**377,065**	668,580
Cash, end of period	**$ 1,497,182**	$ 625,584

The accompanying notes are an integral part of these interim condensed consolidated financial statement.

1 Nature of business

MyndTec Inc. (the "Company" or "MyndTec") is a medical technology company that researches, develops and distributes innovative therapies designed to improve function, maximize independence and enhance the quality of life for individuals with paralysis due to stroke or spinal cord injury. The Company was incorporated under the Business Corporations Act of Ontario and its head office is located at 1900 Minnesota Court, Suite 122, Mississauga, Ontario, L5N 3C9. The Company became a publicly traded entity on the Canadian Securities Exchange on February 16, 2022 (note 13) and is listed under the symbol MYTC.

COVID-19 pandemic

The global outbreak of the COVID-19 pandemic continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, travel restrictions and social distancing in Canada, the United States and other countries; business closures or business disruptions; and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

From an operational perspective, the Company's employees and distribution partners, as well as the workforce of vendors, services providers and counterparties with which the Company does business, may also be adversely affected by the COVID-19 pandemic or efforts to mitigate the pandemic, including government-mandated shutdowns, requests or orders for employees to work remotely and other physical distancing measures, which could result in an adverse impact on the Company's ability to conduct its businesses, including its ability to cultivate adoption of the Company's technology.

To date, the economic downturn and uncertainty caused by the COVID-19 pandemic and global measures undertaken to contain its spread have affected all of the Company's operations to some extent and, in particular, have caused volatility in demand for the Company's technology. This has resulted in a reduction in anticipated revenue and led to delays in the Company's expectations regarding the rate at which agreements for new user sites will be entered into. Despite the COVID-19 pandemic, treatment sessions are continuing, and the Company continues to identify potential new user sites. The Company continues to evaluate the current and potential impact of the COVID-19 pandemic on its business, affairs, operations, financial condition, liquidity and results of operations.

2 Basis of presentation

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards (IFRS) and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and interpreted by the IFRS Interpretations Committee (IFRIC). These unaudited interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2021.

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 11, 2022.

Basis of Measurement

These interim condensed consolidated financial statements have been prepared on a going concern basis using historical cost, except for items designated as fair value through profit and loss.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, MyndTec US Inc. which was incorporated by the Company in the United States on October 10, 2018. As at March 31, 2022, the US subsidiary is inactive.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies, and the subsidiary is fully consolidated from its date of formation. All intercompany balances, transactions and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

2 Basis of presentation (continued)

Functional currency and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD dollars"). The Company's functional currency is CAD dollars, and the functional currency of the Company's wholly owned subsidiary is the United States dollar.

Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- ***Going concern***
  Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which cast significant doubt on the Company's ability to continue as a going concern is required. In management's judgement, such disclosure is not required. This judgement is based on management's expectation of revenue and future net cash flows for the 12-month period to March 31, 2023.

  During the three-month period ended March 31, 2022, the Company had a net loss of $817,530 (year ended December 31, 2021, $3,049,085) and negative cash flows from operating activities of $559,985 (year ended December 31, 2021, $2,390,688). To the extent that the Company has negative operating cash flows in future periods, the Company will deploy funds raised through the above noted secondary private financing transaction to fund such negative cash flow. Based on management's expectations of revenue and future net cash flows for the 12-month period to March 31, 2023, management has applied judgement in determining that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

  The estimates used by management in reaching this conclusion are based on information available as of the date of that these interim condensed consolidated financial statements were authorized for issuance and included an internally generated cash flow forecast. Accordingly, actual results could differ from those estimates and resulting variances may be material to management's assessment.

- ***Leases***
  Values of right-of-use assets and lease liabilities require judgment in determining lease terms such as extension options and the incremental borrowing rate applied. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- ***Stock options and warrants***
  The Company uses the Black-Scholes valuation model to determine the fair value of stock option awards granted and warrants granted in conjunction with the share capital subscriptions. The fair value of the warrants granted in conjunction with the issuance of convertible debentures were determined using the Black Scholes model. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield, forfeiture rates and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the share option realized from the original estimate. The assumptions and estimates used are further outlined in the share capital note.

2 Basis of presentation (continued)

Use of estimates and judgements (continued)

- ***Convertible debentures and embedded derivative***
  Convertible debentures are compound financial instruments which are accounted for separately by their components: liabilities, equity and warrants. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment by management. The separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest or liability component. The determination of the fair value of the liability is also based on a number of assumptions including contractual future cash flows, discount rates, and presence of liabilities. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.

- ***Fair value of financial instruments***
  The individual fair values attributable to the different components of a financing transaction, notably loans and borrowings and convertible debentures are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributable to each component of a transaction at the time of their issuance. When determining the discount rate used to estimate the fair value of government loans, the Company considers market conditions and other internal and external factors as well as third-party financing agreements entered into by the Company. In determining the fair value of the Health Technology Exchange loan, the Company uses judgment to estimate the future loan repayments based on projected future revenue. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

- ***Income taxes***
  Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

- **Revenue recognition**

  The Company recognizes revenue on the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:
  - identify the contract with a customer;
  - identify the performance obligations in the contract;
  - determine the transaction price;
  - allocate the transaction price to the performance obligations; and,
  - recognize revenue when, or as, the Company satisfies a performance obligation.

  Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company derives treatment revenue based upon the use of the Company's MyndMove devices by treatment clinics, as well as the sale of its products and supplies to research institutions and treatment clinics. Treatment revenue is recognized on a monthly basis as services are provided. The sale of its products and supplies is recognized when delivered to the customer and all performance obligations have been satisfied. The sale of extended warranties is deferred and recognized over the warranty period.

  The Company recognizes revenue upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services transferred. The Company evaluates contracts with customers to determine the appropriate performance obligations for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

2 Basis of presentation (continued)

Use of estimates and judgements (continued)

- **Revenue recognition (continued)**

  The Company determines the transaction price at the outset of each arrangement and the total consideration is allocated to the distinct performance obligations based on their relative fair value. The Company has determined that the recurring services promised in a contract with a customer represent a series of distinct services that are substantially the same and have the same pattern of transfer over time to the customer and each delivery of service is accounted for as a single distinct performance obligation.

  The timing of revenue recognition and the contractual payment schedules often differ, resulting in some contractual payments being billed prior to the commencement of service. These amounts that are billed, but not earned, are recognized as deferred revenue in the consolidated statements of financial position. When products or services have been transferred to customers and revenue has been recognized, but not billed, the Company recognizes and includes these amounts as unbilled trade receivables in the consolidated statements of financial position.

  The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

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3 Trade and other receivables

The following is the aging of trade and other receivables as at March 31, 2022 and December 31, 2021:

	March 31 2022	December 31 2021
Trade receivables		
0 - 30 days	$ 17,794	$ 14,290
60-90 days	734	261,309
Over 90 days	-	2,369
	$ 18,528	$ 277,968
Commodity Taxes	40,097	27,670
	$ 58,625	$ 305,638

4 Inventories

	March 31 2022	December 31 2021
Production parts and clinical supplies	$ 157,092	$ 160,699
Finished devices	126,033	140,033
	$ 283,125	$ 300,732

During the three-month period ended March 31, 2022, inventory of $12,029 was recorded to cost of goods sold (2021 - $8,727). During the three-month period ended March 31, 2022, the Company recognized $ nil write down of inventory (2021 - $nil).

5 Right-of-use asset and lease obligations

Changes in right-of-use asset and lease obligations for the three-month period ended March 31, 2022 and year ended December 31, 2021 are as follows:

Right of use asset

	March 31 2022	December 31 2021
Costs		
Balance - beginning of period	$ 70,056	$ 121,743
Office lease terminated on July 31, 2021	-	(121,743)
Office lease commenced on August 1, 2021		70,056
Balance - end of period	70,056	70,056
Accumulated depreciation		
Balance - beginning of period	9,730	93,443
Office lease terminated on July 31	-	(121,743)
Depreciation	5,838	38,030
Balance - end of period	15,568	9,730
Net book value - end of period	$ 54,488	$ 60,326

Lease obligations

	March 31 2022	December 31 2021
Balance - beginning of period	$ 52,291	$ 32,450
Office lease commenced on August 1, 2021	-	70,056
Interest expense (note 16)	1,564	5,877
Lease payments	(6,505)	(56,092)
Balance - end of period	47,350	52,291
Less current portion (note 9)	26,707	26,450
Long-term portion	$ 20,643	$ 25,841

The Company's right-of-use asset and lease obligations relate to the Company's office premises which was leased through July 2021 and, thereafter, a new three-year lease that commenced on August 1, 2021. The Company's fair value estimate of the new office lease addition and initial liability was $70,056, utilizing an incremental borrowing rate of 13.5%. Variable lease payments for the three-month period ended March 31, 2022 were $7,419 (2021 – $5,628), recognized in general and administrative expenses in the consolidated statements of loss and comprehensive loss for the period.

6 Equipment

Net Book Value	Computers Software and Equipment	Tooling	Treatment Devices	Total
Balance, December 31, 2020	$ 26,441	$ 66,596	$ 192,309	$ 285,346
Acquisitions during the period	-	-	14,003	14,003
Amortization during the period	2,398	3,027	9,783	15,208
Balance, March 31, 2021	24,043	63,569	196,529	284,141
Acquisitions during the period	1,754	2,439	46,248	50,441
Amortization during the period	11,824	9,256	31,707	52,787
Balance, December 31, 2021	13,973	56,752	211,070	281,795
Depreciation during period	2,143	3,114	11,246	16,503
Balance, March 31, 2022	**$ 11,830**	**$ 53,638**	**$ 199,824**	**$ 265,292**
As at December 31, 2021				
At Cost	$ 40,671	$ 87,198	$ 449,911	$ 577,780
Accumulated depreciation	26,698	30,446	238,841	295,985
Net book value	**$ 13,973**	**$ 56,752**	**$ 211,070**	**$ 281,795**
As at March 31, 2022				
At Cost	$ 40,671	$ 87,198	$ 449,911	$ 577,780
Accumulated depreciation	28,841	33,560	250,087	312,488
Net book value	**$ 11,830**	**$ 53,638**	**$ 199,824**	**$ 265,292**

7 Deferred revenue

Deferred revenue relates to a four-year extended warranty on devices and was $79,688 as at March 31, 2022 (December 31, 2021, $85,000) of which $21,250 will be recognized in the twelve-months following March 31, 2022.

The warranty revenues were received from the KITE Research Institute at the University Health Network, in Toronto, Canada, which is significantly influence by a director of the Company (note 9).

8 Current portion of long-term liabilities

	March 31 2022	December 31 2021
Payable in cash		
Deferred payment agreement (note 9)	$ 30,000	$ 27,500
Lease obligations (note 5)	26,707	26,450
Federal Economic Development Agency (note 10)	75,000	60,000
Health Technology Exchange (note 10)	72,993	69,030
Federal CEBA (note 10)	28,028	27,400
	232,728	210,380
To be settled by equity conversions		
Derivative and warrant liabilities (note 11)	-	354,292
Convertible debentures (note 11)	-	1,275,499
	$ 232,728	$ 1,840,171

9 Deferred payment agreement

	March 31 2022	December 31 2021
Balance - beginning of period	$ 339,000	$ -
Deferral agreement established	-	339,000
Loan payments	(5,000)	-
Balance - end of period	334,000	339,000
Less current portion (note 8)	30,000	27,500
Long-term portion	$ 304,000	$ 311,500

On December 31, 2021, the Company entered into an agreement with a supplier that is not a related party, which was made in settlement for amounts payable by the Company for services provided in 2021 and 2022 up to January 24, 2022. The agreement requires a commitment for payment as follows: i) $590,835 paid on February 17, 2022, ii) $42,500 payable at $2,500 per month beginning February 1, 2022 through to June 1, 2023, and iii) $296,500 due and payable on June 30, 2023. In the event the Company closes a private placement or public offering, the Company is required to pay down the outstanding balance as follows: i) if the offering is less than $3 million, the payment will be 5% of the proceeds; ii) if the offering is $3 million or more, the payment will be for the outstanding balance. Interest will accrue on the balance beginning January 24, 2022, at an annual rate equal to the Royal Bank of Canada prime rate plus 5%, calculated and compounded monthly. Conditional upon the Company respecting the payment terms, the interest will be waived.

As at December 31, 2021, the $590,835 is recorded in trade and other payables.

As at March 31, 2022, the $334,000 (December 31, 2021, $339,000) deferred payment agreement is recorded in long term liabilities, net of the $30,000 (December 31, 2021, $27,500) current portion.

10 Government loans

	March 31 2022	December 31 2021
Federal Economic Development Agency (FEDA)	$ 328,380	$ 324,365
Health Technology Exchange (HTE)	425,152	399,604
Federal CEBA	28,028	27,400
	781,560	751,369
Less current portion (note 8)	176,021	156,430
Long-term portion	$ 605,539	$ 594,939

Federal Economic Development Agency of Southern Ontario (FEDA) loan

The FEDA loan is unsecured, non-interest bearing and it provided initial financing of $919,518. On December 3, 2021, the payment terms for this loan were amended and, as at March 31, 2022, the principal balance outstanding of this loan is $452,242 (December 31, 2021 – $467,242), due as follows:

	March 31, 2022
FEDA Remaining Principal	
Twelve months following	$ 75,000
Thirteen to twenty-four months following	120,000
Twenty-three to thirty-six months following	240,000
Thereafter	17,242
	$ 452,242

The Company received the loan in tranches based on qualifying expenditures incurred. The Company initially determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 19.2%. During the three-month period ending March 31, 2022, the Company recognized $19,015 (2021 – $19,130) of interest and accretion expense (note 16) on this loan.

The payment terms of the loan were amended on December 3, 2021; extending the terms of repayment, and the loan was revalued using an effective interest rate of 19.2%. As a result, the Company recognized a gain on debt modification in the amount $71,762 which is included in interest and accretion expense in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2021.

During the three-month period ended March 31, 2022, the Company made repayments of $15,000 (2021 - $30,000).

Health Technology Exchange (HTE) loan

The HTE loan is unsecured, bears interest at 3.1% per annum, is repayable based on 10% of certain preceding year gross revenue and provided initial financing of $749,600. As at March 31, 2022, the principal balance outstanding on this loan is $749,600 (December 31, 2021 – $749,600), compared to the gross book value of the principal and interest payable as at March 31, 2022 of $800,180 (December 31, 2021 - $794,370). The amount of the loan payable in the following twelve-months is $72,993 (December 31, 2021, $69,030). During the three-month period ended March 31, 2022, the Company made a repayment of $nil (2021 – $nil) and the Company recognized $5,809 (2021 – $5,809) of accretion expense on this loan.

The Company values the HTE loan at fair value at the end of each quarter, based on the estimated future cash flows of the loan using a discount rate of 20.0% and revenue growth rates between 10% and 30%. Therefore, the fair value of this loan is determined to be $425,152 as at March 31, 2022 (December 31, 2021 - $399,604), which resulted in the Company recording a fair value adjustment loss of $19,739 included in change in fair value on the consolidated statements of comprehensive loss (2021 – $nil) (note 16).

10 Government loans (continued)

Federal Canadian Emergency Business Account (CEBA) loan

The Federal CEBA loan is part of the Canadian federal government's support program in response to the COVID-19 pandemic, wherein the Company was able to obtain a $40,000 non-interest-bearing loan due on or before December 31, 2022. If the Company fully repays the loan by the due date, $10,000 of the loan will be forgiven.

On receipt of the loan in 2020, the Company determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 18.8%, which resulted in the Company recording income of $16,265 that was included in government grants and tax credits on the consolidated statements of loss and comprehensive loss during that year.
During the three-month period ended March 31, 2022, the Company recognized $628 (2021 – $573) of accretion expense on this loan.

Changes in the government loans for the three-month period ended March 31, 2022 and year ended December 31, 2021 are as follows:

	March 31 2022	December 31 2021
Balance - beginning of period	$ 751,369	$ 804,612
Loan payments	(15,000)	(155,605)
Accretion expense (note 16)	25,452	98,552
Fair value adjustment of government loans (note 16)	19,739	3,810
Balance - end of period	781,560	751,369
Less current portion (note 8)	176,021	156,430
Long-term portion	$ 605,539	$ 594,939

11 Convertible debentures

Changes in the convertible debentures for the three-month period ended March 31, 2022 and year ended December 31, 2021 are as follows:

	March 31 2022	December 31 2021
Balance - beginning of period	$ 1,275,499	$ 1,060,382
Accretion expense (note 16)	22,807	215,117
Loss on conversion of convertible debentures (note 16)	129,217	
Conversion to share capital (note 13)	(1,427,523)	-
Balance - end of period	-	1,275,499
Less current portion (note 8)	-	1,275,499
Long-term portion	$ -	$ -

The convertible debentures were determined to have completed a qualified transaction on February 4, 2022 and were converted to share capital at a 25% premium to their book value (note 13).

11 Convertible debentures (continued)

On May 19, 2020, the Company issued unsecured convertible debentures with a maturity date of December 31, 2022 in an aggregate principal amount of $1,250,000. Interest accrued at a fixed annual interest rate of 8%, compounded annually and was payable on the maturity date. When converted, these convertible debentures and accrued interest convert into common shares at the fair market value of the respective common shares at the date of conversion, as determined by the Board, unless the conversion is a result of a qualified financing. On the occurrence of a qualified financing, the convertible debentures and accrued interest convert at a price per security equal to 80% of the price per security issued in the qualified financing. The convertible debenture was recorded at amortized cost using the effective interest rate of 18.4%. The fair value of the conversion option was determined to be $304,236 on issuance using a discount rate of 1%, probability of 95% and expecting timing of a qualified financing of June 2021.

As at December 31, 2021, the fair value of the conversion option was determined to be $354,292 using a discount rate of nil%, probability of 100% and expected timing of qualified financing of February 2022. On February 4, 2022 a fair value expense of $2,587 was recorded and on February 7, 2022 the convertible debentures were converted into share capital (note 13).

The embedded derivative and warrant liabilities (note 13) related to the convertible debentures are as follows:

	Conversion Option	Warrants	Total
Balance - December 31, 2020	$ 324,731	$ 18,966	$ 343,697
Fair value loss or (gain)	29,561	(18,966)	10,595
Balance - December 31, 2021	354,292	-	354,292
Fair value loss	2,587	-	2,587
Conversion to share capital (note 13)	(356,879)	-	(356,879)
Balance - March 31, 2022	$ -	$ -	$ -

12 Related party balances and transactions

During the three-month periods ended March 31, 2022 and 2021, the Company recognized treatment revenues from LBB Applied Technology Inc., a shareholder of the Company that was entitled to nominate one director to the Board.

The Company has a shareholder and director, who is employed by the KITE Research Institute at the University Health Network in Toronto, Canada (KITE), an Institution over which he has significant influence and to which the Company is committed to a long-term license agreement (note 19), requiring the semi-annual payment of royalty fees. In addition, the Company has entered into contracts with this Institution to sell MyndMove devices, which have been modified for research purposes; and to purchase research and development (R&D) services.

In 2017, the Board approved the remuneration of a director, related to interim CEO services provided to the Company in addition to his role as director. As at March 31, 2022 and December 31, 2021, the entire $75,000 amount remains unpaid and is included in trade and other payables.

$1,807,500 of the $2,954,302 in private placement funds raised in 2021, as described in the subsequent events note 13, was from directors, officers and a significant shareholder

12 Related party transactions (continued)

A summary of the Company's related party transactions follows:

	March 31 2022	March 31 2021	December 31 2021
Revenue during the three months ended			
Treatment revenues	$ 23,347	$ 22,729	
	$ 23,347	$ 22,729	
Expenses during the year			
Share-based compensation for directors and senior officers	$ 38,260	$ 4,300	
Salaries, fees and benefits for directors and senior officers	149,364	124,568	
License fees	1,585	2,042	
R&D services	-	85,070	
	$ 189,209	$ 215,980	
Assets - as at the date specified			
Accounts receivable for treatment revenues	$ 7,502		$ 15,147
Liabilities - as at the date specified			
Due to director for pre-2020 compensation	$ 75,000		$ 75,000
License fees payable	$ 11,343		$ 9,757
Deferred revenue	$ 79,688		$ 85,000

13 Share capital, warrants and stock options

The Company is authorized to issue an unlimited number of common shares.

	Common Shares	Warrants	Stock Options	Fully Diluted Total
Balance, December 31, 2020	**15,730,737**	**2,146,152**	**1,007,858**	**18,884,747**
Options issued	-	-	(50,000)	(50,000)
Balance, March 31, 2021	**15,730,737**	**2,146,152**	**957,858**	**18,834,747**
Rights forfeited or expired	-	(2,146,152)	(570,358)	(2,716,510)
Private placement	1,369,059	1,259,535	-	2,628,594
Options issued	-	-	600,000	600,000
Balance, December 31, 2021	**17,099,796**	**1,259,535**	**987,500**	**19,346,831**
Private placement	2,954,302	2,954,302	-	5,908,604
Conversion of convertible cebentures	1,784,402	1,784,402	-	3,568,804
Balance, March 31, 2022	**21,838,500**	**5,998,239**	**987,500**	**28,824,239**

13 Share capital, warrants and stock options (continued)

Second Private placement transaction and public company listing

On December 10, 2021, the Company completed a second private financing, for a total of $2,954,302 of which $594,860 was received by the Company and the balance remains in escrow. The subscribers received 2,954,302 subscription receipt units, with the expectation that these will be exchanged for 2,954,302 common shares of the Company and 2,954,302 warrants to acquire common shares of the Company at $1.00. The warrants will expire sixty months following the date that the subscription receipts are exchanged.

Of the $2,954,302 in proceeds, $594,860 had been received out of escrow by the Company and was recorded as deposits for future share financings in long-term liabilities. The remaining $2,359,442 was received by the Company, from the Escrow Trustee, on February 18, 2022. Of the $2,852,598 in net proceeds, $1,062,662 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of $1.00; an estimated $0.65 value of common shares; a volatility rate of 80.8%; an expected 5-year life for the warrants; and a risk-free interest rate of 1.31%. Offsetting those amounts allocated to share capital and contributed surplus, the Company incurred $101,704 of share issue costs that were recorded in prepaid expenses and deposits as at December 31, 2021.

The exchange of the subscription receipts units into common shares and warrants was conditional on the Company obtaining conditional listing approval on a stock exchange in Canada by February 28, 2022. The conditional listing was accomplished on February 16, 2022. On February 17, 2022, the Company exchanged each share subscription receipt into one (1) common share and (1) warrant at $1.00 that will expire sixty months following the date of such approval.

Total listing costs were approximately $1,270,000 of which $1,095,940 was recorded in the Company's consolidated statement of loss and comprehensive loss, as at December 31, 2021.

Conversion of Convertible debentures

The secondary private placement created a qualified financing, as defined in the convertible debenture agreements, for the Company's existing convertible debentures. Effective February 4, 2022, the Company's outstanding convertible debentures and accumulated interest and the related conversion liability (note 11), amounting to $1,784,402, were converted into 1,784,402 subscription receipt units at $0.80 per subscription receipt unit. Of the $1,784,402 in total proceeds, $641,849 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of $1.00; an estimated $0.65 value of common shares; a volatility rate of 80.8%; an expected 5-year life for the warrants; and a risk-free interest rate of 1.31%.

First Private Placement

On May 3, 2021, the Company completed a private financing transaction, led by Company investors, wherein the Company raised $1,259,535 of share capital proceeds, entirely from existing shareholders. This financing resulted in the issuance of 1,369,059 common shares at a price of $0.92 and 1,259,535 common share warrants with an exercise price of $1.06 and expiration date of May 3, 2023.

- $285,183 of the proceeds less share issue costs were allocated to the value of the warrants, based on a Black Scholes valuation as described below.
- $375,000 of the proceeds were received by December 31, 2020 and are recorded in the Company's December 31, 2020 consolidated statement of financial position as deposits for future share financings.
- $59,134 of share issue costs were incurred in respect of these financings, of which $45,785 was recorded in the December 31, 2020 consolidated statement of financial position as part of prepaid expenses and deposits.

Warrants and Options

On March 31, 2022, the Company had 1,259,535 of fully vested warrants outstanding, exercisable into one common share per warrant at an exercise price of $1.06, that expire on May 3, 2023.

On March 31, 2022, the Company had 987,500 options outstanding, with a weighted average exercise price of $0.98 and weighted average remaining life of 7.39 years. 412,500 of the 987,500 options are fully vested.

Share-based compensation

On June 21, 2021, 500,000 options were granted (note 11) with a fair value of $236,976, based on a Black Scholes valuation with an exercise price of $1.00; an estimated $0.71 value of common shares; a volatility rate of 78.8%; an expected 7-year life for the options; and a risk-free interest rate of 1.41%. 125,000 of the options vest on June 21, 2022, and the remainder vest equally each month over the following 36 months, commencing July 21, 2022.

13 Share capital, warrants and stock options (continued)

On August 15, 2021, 100,000 options were granted (note 11) with a fair value of $47,395, based on a Black Scholes valuation with an exercise price of $1.00; an estimated $0.71 value of common shares; a volatility rate of 78.8%; an expected 7-year life for the options; and a risk-free interest rate of 1.41%. All of these options vested on the date issued.
Share-based compensation expense recorded in the unaudited condensed interim consolidated statement of comprehensive loss was $39,151 for the three-months ended March 31, 2022 (2021 – $5,191).

14 Breakdown of expenses by nature

	2022	2021
Salaries and benefits (note 15)	$ 110,752	$ 99,615
Accounting, legal and professional fees	49,900	79,168
Technology expense	15,159	7,357
Additional rent	7,419	5,628
Insurance	21,384	9,840
Other expenses (income)	5,520	(2,081)
Total general and administration expenses	$ 210,134	$ 199,527
Salaries and benefits (note 16)	$ 85,776	$ 90,965
Patent expenses	34,766	23,149
Other development expenses	11,440	111,883
Total research and development expenses	$ 131,982	$ 225,997

15 Salaries and benefits (note 12)

	2022	2021
General and administration (note 14)	$ 110,752	$ 99,615
Research and development (note 14)	85,776	90,965
Selling and marketing	16,495	15,637
Clinical trial (note 18)	58,114	19,967
	$ 271,137	$ 226,184

16 Interest and accretion expense and changes in fair value

	2022	2021
FEDA loan (note 10)	$ 19,015	$ 19,130
CEBA loan (note 10)	628	573
HTE loan (note 10)	5,809	5,809
Total for government loans	25,452	25,512
Lease obligations (note 5)	1,564	1,200
Convertible debentures (note 11)	22,807	49,418
Total accretion expense	49,823	76,130
Short term interest	(2,859)	71
Total interest and accretion expense	$ 46,964	$ 76,201
Government loan - FEDA	$ -	$ -
Government loan - HTE	19,739	-
Total for government loans (note 10)	19,739	-
Convertible debenture conversion liabilities (note 11)	2,586	-
Loss on conversion of convertible debentures (note 11)	129,217	-
Warrant liabilities (note 13)	-	(14,225)
Total change in fair value	$ 151,542	$ (14,225)

17 Government grants and tax credits

Scientific research and experimental development tax credits
The Company periodically makes claims for SR&ED deductions and related expenses for income tax purposes, based on management's interpretation of the applicable legislation in the Income Tax Act (Canada). No SR&ED credits were received in the three-month periods ended March 31, 2022 or 2021.

On February 16, 2022, when the Company became publicly listed, it no longer qualifies for cash refundable SR&ED credits from that date forward, which will cause the Company's net research and development expenses to increase.

18 Clinical trial

The Company is party to an arrangement funded by the United States Department of Defense, for a total amount of US$2,014,378, wherein the Company is responsible to manage a clinical trial of its MyndMove device. The Company has no obligation as to the outcome of this trial and is eligible to recover all costs of the participating clinics and supervising clinic once the respective funds have first been received from the US Federal Government. This trial is expected to be completed by June 30, 2022.

The Company's direct costs related to this trial are contractually fully recoverable, although there are small discretionary amounts incurred by the Company that may not be, such that the Company expects to achieve a small net expense each month, which may vary between accounting periods, on this arrangement.

19 Commitments and contingencies

On August 29, 2012, the Company entered into an agreement with a health services institution whereby it granted the Company an exclusive worldwide license to commercialize certain intellectual property related to a functional electrical stimulation device and system; for which the Institution received 400,000 of the Company's common shares, with a fair value of $400,000. In addition, the Company is committed to paying a cumulative royalty on the net sales of stimulators used to treat motor dysfunction, as follows:

- 0% on the first $1,000,000 cumulative net sales;
- 4% on the cumulative net sales exceeding $1,000,000 but not greater than $7,500,000; and,
- 1% on the cumulative net sales exceeding $7,500,000.

During the three-month period ended March 31, 2022, the Company accrued license fees of $1,585 (2021 - $2,042).

The Company's lease commitments are disclosed in Note 5.

20 Capital Management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its product development and commercialization strategy, and ultimately provide long-term returns to its shareholders. This strategy relies significantly on the Company's ability to demonstrate growing efficacy creation in its medical devices, in order to convince potential investors to invest more capital in the Company's development efforts.

The Company defines capital as the aggregate of its share capital and borrowings. The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the period ended March 31, 2022.

21 Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. As at March 31, 2022, the Company had $nil in overdue trade and other receivables (December 31, 2021 – $2,369).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these consolidated financial statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition cost, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2022:

	Payments Due			
	Less than 1 year	2 - 3 years	After 3 years	Total
Trade and other payables	$ 724,520	$ -	$ -	$ 724,520
Deferred payment agreement	30,000	304,000	-	334,000
Office lease - base rent and common area	26,707	20,643	-	47,350
Government loans (undiscounted)	177,993	485,378	619,051	1,282,422
	$ 959,220	$ 810,021	$ 619,051	$ 2,388,292

21 Financial instruments and risk management (continued)

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk:

- **Foreign currency risk** arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from United States dollar denominated cash, trade and other receivables, and trade and other payables. As at March 31, 2022, a 1% change in the foreign exchange rates would result in a $812 impact to the consolidated financial statements (December 31, 2021 - $568).
- **Interest rate risk** is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk because its indebtedness is at fixed rates.

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk.

Fair values

The carrying values of cash, trade and other receivables excluding HST, trade and other payables excluding HST, and lease obligations are considered representative of their respective fair values due to the short-term period to maturity. The convertible debentures, deferred payment agreement and FEDA and CEBA Government loans approximate their fair value as the interest and discount rates are consistent with the current rates offered by the Company for its loans with similar terms. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- **Level 1** – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- **Level 3** – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the period, there were no transfers of amounts between levels. The fair value of derivative and warrant liabilities and HTC government loan are determined using level 3 inputs.

Financial instruments measured at fair value using level 3 inputs:

	Valuation technique	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value**
Derivative liabilities	Probability weighted discounted cash flow (note 11)	- Discount rate - Expected timing and probability of qualified transaction	An increase in the probably or earlier expected date of Qualified Financing would increase the fair value of the derivative liability.
Warrant liabilities	Black Scholes (note 11)	- Share price - Volatility	An increase in share price or volatility would increase the fair value of the warrant liabilities.
HTC government loan	Discounted cash flows (note 10)	- Discount rate - Expected timing of repayments based on revenue forecast	An increase revenue growth or decrease in discount rate would increase the fair value of the HTC government loan.

20 Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer.

The Company has revenues from sales in Canada and from Canada to the United States and has one operating segment which includes income related to its MyndMove device and a variation of that device, called MyndSearch, which has been modified for research purposes. The two types of revenue that are earned from MyndMove include: (1) treatment fees, from treatment clinics that use the Company's MyndMove devices and (2) product sales, which are revenues from the sale of MyndMove or MyndSearch devices to clinics or research institutions and the sale of treatment supplies.

All treatment devices are located in Canada, except for six devices located in the United States, and all sales of devices have occurred in Canada. Revenue by geographical location and by services and products delivered were as follows:

	2022	2021
Revenue by geographic location of customers		
Canada	$ 21,660	$ 28,383
United States	23,347	22,729
	$ 45,007	$ 51,112
Revenue by services and products delivered		
Treatment fees	$ 39,628	$ 50,547
Product sales	5,313	499
Other	66	66
	$ 45,007	$ 51,112

20 Subsequent events

On May 3, 2022, the Company entered into a consulting agreement (the "Consulting Agreement") with Venture North Capital Inc. ("Venture North") to provide strategic marketing, investor relations and capital markets communications services to the Company in compliance with the policies and guidelines of the CSE. Venture North will arrange and attend meetings with professional investors, maintain ongoing contact and broaden relationships with the professional investment community on MyndTec's behalf. The Consulting Agreement is effective May 3, 2022 for an initial 3-month period ending July 31, 2022, after which it will continue in effect on a monthly basis until terminated upon 30 days written notice given by either the Company or Venture North. Pursuant to the Consulting Agreement, the Company will pay Venture North $6,000 plus applicable taxes per month and grant Venture North 200,000 stock options (the "Options") of the Company. Each Option is exercisable into one common share of the Company at an exercise price of $0.95 per share and the Options will vest at a rate of 25% per quarter. All vested Options shall be eligible for exercise for a period expiring on the 10th anniversary of the grant date provided that all unvested Options will terminate and expire on the date that the Consulting Agreement is terminated. The 200,000 options were granted on May 3, 2022.

On May 11, 2022, the Company announced that Carlo Pannella tendered his resignation as a director of the Company and Chair of the Board's Audit Committee, effective May 11, 2022, and that the Company appointed William (Bill) Jackson to its Board as an independent director and as Chair of the Board's Audit Committee, effective May 11, 2022.